

MEPS SURVEY

Middle East Policy Survey

March 12, 1982

No. 51

a confidential bi-weekly report from Washington and the Middle East

MIDDLE EAST

LEBANON CRISIS EASES, BUT PRODUCES ANTI-ISRAEL DOCUMENT

During the height of the "war scare" over Lebanon (*Survey*, Feb. 12), the Joint Chiefs of Staff (JCS) presented a contingency paper that recommended US-Soviet cooperation in Lebanon and envisioned the possibility of US armed combat with Israel. The *Survey* has learned that the paper, prepared by the staff of the JCS and given to a Lebanon contingency group chaired by Deputy Secretary of State Walter Stoessel, was predicated on the assumption that Israel would shortly launch a major raid into Lebanon.

The consensus among US military planners is that Israel would be unable to limit an attack to the PLO and would face major Syrian resistance. As a result, the Joint Chiefs' paper assumed a full-scale war and was designed, according to reliable sources, to distance the US from Israel in order to avoid getting caught in the anticipated Arab backlash. According to these sources, the paper emphasizes the need to deter Soviet intervention, calling for a blunt warning against Soviet military action. However, it then quickly departs from a get-tough position to propose procedures by which Israel would be forced to withdraw from Lebanon and a political solution imposed. To this end, the paper recommends a joint US-Soviet political initiative for Lebanon with the Soviet role being based on Moscow's leverage with Damascus.

Regarding the possibility of armed confrontation with Israel, the paper raised the specter of such an eventuality in connection with the need to evacuate US citizens "in a hostile environment." Well-informed sources have told the *Survey* that the JCS paper alludes to the possibility of air combat with Israel as the US attempts to establish air cover. "This is the most anti-Israel document ever produced by the US government," one Administration insider declared. Other US officials equally outraged by the contents emphasized to the *Survey* that the paper had been dismissed out of hand. "As far as we're concerned, the paper is buried," one State Department official said. State Department officials were, however, quick to draw some critical conclusions about Pentagon thinking. "If anyone had any doubts where the JCS was coming from on Middle East issues, this paper dispelled the last of them," one official declared. Another noted the willingness of the Pentagon to confront the Soviet Union elsewhere, but "stand policy on its head" in the Middle East by encouraging Moscow to take a major role.

Pentagon officials admitted that policy recommendations like this were not an appropriate role for the JCS staff. Another critic, unhappy at the prospect of the paper surfacing, summed up a lot of reaction this way, "If you are going to dream up something this crazy, don't put it in on paper."

State Department officials saw no small irony in discussion of the JCS paper at a time when tensions have eased over Lebanon. This paper was produced when tensions were at their highest and the new Israeli Ambassador to the US, Moshe Arens was reportedly saying that it was "only a matter of time" before Israel acted in Lebanon. Since then, key State Department officials conclude, Prime Minister Begin has realized the extent of US concern over Israel. These officials believe that Israel went too far, creating "American neurosis" over the prospect of war that resulted in heavy

pressure being brought to bear on Jerusalem. While Israeli sources declare Special Envoy Philip Habib accomplished "nothing" on his latest visit, they agree with US officials that he bought time. In addition to Habib's activity, US officials argue that Begin has been affected by last year's suspension of the US-Israel strategic accord and aircraft deliveries, and seeks to avoid a major confrontation with the US over Lebanon. Moreover, these officials believe that the last thing the Prime Minister wants is Israeli loss of life in the north with the prospect of bloodshed in the south (as Israeli soldiers confront settlers in Yamit). As further evidence, they point to Defense Minister Ariel Sharon's appearance on US television last Sunday where he delivered what was interpreted as a clear message that Israel was not looking for an excuse to go to war. Consequently, US officials believe Israel will not attack in Southern Lebanon unless there is "clear provocation."

"CLEAR PROVOCATION"

The US-Israeli disagreement over what constitutes a "clear provocation" (*Survey*, Feb. 12) remains unresolved. The JCS paper argued that Israel's "legitimate defense" does not extend to Lebanese soil. The State Department is equally at odds with the Israeli definition that apparently calls for massive retaliation in the event of a PLO attack anywhere in the world. State Department officials criticize what they see as a "wider and wider" definition of clear provocation which they contrast with the Palestinians "increasing self-control."

Israelis bristle at the suggestion of PLO self-control. Last week Israeli Chief of Military Intelligence Yehoshua Saguy briefed journalists on PLO violations and the major military build-up the Israelis assert is under way in Southern Lebanon. Moreover, the *Survey* has learned that the Israeli government is also concerned over a Syrian monitoring post recently installed at Beaufort Castle, 20 km north of the Israeli border, an action which could constitute a violation of the "understanding" that Syrian forces are not to move south of the Litani River.

The Israelis believe that US policy is playing into the hands of those, including Syrians, who would prefer an Israeli attack after the April 25 withdrawal from Sinai. An Israeli attack after April 25, it is agreed, would place greater stress on the Israeli-Egyptian relationship. State Department specialists, while allowing for this interpretation, argue that it is just as likely that the PLO and Syrians are genuinely fearful of a massive Israeli attack.

The major problem for US policy makers in refuting Israeli arguments is finding their own definition of clear provocation. They are concerned that Israel will seize upon a US definition as a "green light" to take action. "We will continue to be purposefully vague," one State Department official said.

EXECUTIVE BRANCH

RELAXING RESTRICTIONS ON IRAQ

The Administration's decision to remove Iraq from the US government's formal list of nations supporting international terrorism was motivated primarily by economic considerations, according to reliable sources. "The State Department may have approved the decision for its own diplomatic reasons," one well-placed Congressional insider said, "but the push and arguments came from the Commerce Department."

According to Administration officials, the Commerce Department had been under intense pressure from US contractors and aircraft manufacturers to relax export controls for the potentially lucrative Iraqi market. The 1979 Export Administration Act requires that Commerce issue a special license when sales of equipment, exceeding seven million dollars, with a potential military use are proposed for countries on the terrorism list. If Commerce decides to grant the license, it must notify Congress. Although

Congress did not grant itself veto authority, it has exerted pressure on the Administration to withhold certain items (five commercial Boeing aircraft were delivered to Iraq in 1981 only after a year long debate with Congress).

The Commerce Department contends that the "paper work burden" of the 1979 law and Congressional efforts to block certain sales have inhibited US-Iraqi trade and have created increasing competition from the European-made Airbus to sell planes to Arab customers. The Saudis reportedly also pressured the Administration, threatening to purchase the European plane if Iraq was not lifted from the terrorist list. Congressional critics, however, argue that competition from the Airbus is the result of better European financing. Moreover, they point out that since the law was enacted, US exports to Iraq have more than doubled (from \$442 million in 1979 to \$913 million last year).

The largest potential prize for US business is the contract to rebuild Iraqi oil facilities destroyed last year by the Iranian air force. Baghdad reportedly was told by consultants that because the oil facilities were originally built with US equipment, European contractors would have to begin an exorbitantly costly reconstruction "from the ground up." "Rebuilding the facilities would be a big ticket item for US contractors," one US official told the *Survey*, "and they are frightened that the Congress could try to prevent it."

State Department officials remain puzzled over why Secretary of State Haig, who has said repeatedly that the fight against international terrorism is one of the Administration's highest priorities, approved the Iraqi decision. According to Administration sources, every State Department bureau except Near East and Economic Affairs recommended against removing Iraq from the terrorist list. "The line-up was such that we assumed Haig would disapprove," one senior State Department official told the *Survey*. "His decision came as a big surprise." Congressional and State sources speculate that Haig either succumbed to a personal appeal from Commerce Secretary Malcolm Baldrige or that Commerce had already won White House approval and the Secretary of State chose not to fight a losing battle. Capitol Hill insiders told the *Survey* that the Commerce Department appeared to be in command of the decision-making process. Only hours before the Administration announcement, key members of Congress were told by the State Department that Haig had yet to "sign off" on the issue while Commerce officials asserted that the Administration had already reached a decision. State officials later notified Congress that the Administration would allow for a 30-day consultation period prior to a formal announcement.

DEBATE AT STATE

When the State Department began its annual review last Fall of the government's terrorist list, the Near East Affairs bureau (NEA) strongly advocated the removal of Iraq, according to well-placed Administration insiders. NEA maintained that since January, 1981, there has been a reduction of terrorist incidents supported by the Baghdad regime and recommended that the US encourage further progress by easing trade curbs. "When the rat pushes the right bar, you give it a Rice Krispie," is the way one State Department official put it. State Department officials contend that over the past year Iraq has terminated its backing for Abu Nidal, a PLO defector who was responsible for the killing of a Jewish community leader in Vienna and attacks on a synagogue in Vienna and a Jewish school in Antwerp. (Israeli, and other diplomatic sources, assert that while the Nidal group moved its headquarters to Damascus in 1980, it still maintains offices and training camps in Iraq). In addition, State Department insiders told the *Survey* that while US overtures to Baghdad during the early days of the Carter Administration may have been counterproductive and premature, the Soviet invasion of Afghanistan, the fall of the Shah and the subsequent war with Iran have provided the opportunity to explore genuine Iraqi overtures to the US.

However, opponents of the NEA recommendation at State argued that if Iraq was in fact reducing support for terrorist activity it was for tactical reasons, in large part because of the war with Iran. "Iraq is now directing its terrorism against Iran and vice versa," one State Department official declared. Another official put it

this way, "Iraq may have turned its malevolent eye away from Europe toward their immediate internal concerns, but this is a temporary shift because of the war." Moreover, opponents contend that since the Iraqi regime had not actually terminated terrorist activity, it should not be removed from the government's list. These officials also rejected the notion that removing Iraq from the list would encourage moderation because, as one source said, "Iraq doesn't care if they're on or off the list."

The issue of Haig's personal credibility was also raised by his advisers. "Haig was told that this would cut down his anti-terrorism policy at the knees," one official said. He pointed to the inconsistency of the Iraqi decision with the imposition of new sanctions against Qaddafi following the withdrawal of the Libyan troops from Chad. Bolstering the opponents' case was a CIA assessment of Iraqi behavior. The *Survey* has learned that in a study prepared last month, the Agency maintained that Iraq has only redirected its terrorist activity from Europe to the Middle East (primarily Beirut) against Iranian and Kurdish targets and still maintains support for splinter terrorist groups.

Israeli officials even contest that a redirection of Iraqi terrorist activity has taken place. They point out that aside from the attacks by Abu Nidal, "the Arab Organization of the 15th of May" (a group operated by the Iraqis) launched eight attacks against Jewish or Israeli targets since May 1981, compared to three such attacks in the previous year. "Iraqi diplomats may not have carried explosives in Europe last year," one Congressional insider said, "but they are certainly involved in the same activity that led to their inclusion on the terrorist list in 1980."

REACTION FROM THE HILL

While some State Department officials had warned Haig of strong criticism from the Congress, there has of yet been no legislative move to reverse the Administration's action. Senate Foreign Relations Committee Chairman Charles Percy (Ill.) and five committee colleagues have written a mild letter to Commerce Secretary Baldrige complaining about a lack of consultation with the Congress and asking for discussions prior to implementation of the new export regulations. Congressional critics of the Administration move are hoping that Foreign Relations hearings will produce greater Congressional interest and ultimately result in legislation to "freeze" the terrorist list. These sources speculate that initial Administration plans for sales to Baghdad include the L-100 aircraft (the civilian version of the C-130 military transport), and ultimately military hardware once the Iran-Iraq war is settled.

A DIFFERENT POLICY TOWARD LIBYA

Unlike its position on Iraq, the Commerce Department has advocated stringent export controls of high technology material to Libya. According to well-placed sources, while Commerce had originally opposed additional economic sanctions against Libya (bad for US business), following the Administration decision, it succeeded in imposing tight restrictions on European "reexports" of US high technology to Tripoli. Commerce sided with the Pentagon which has sought a "get-tough" approach toward European countries as a result of their trade policy with the Soviet Union. "Defense and Commerce see linkage between European reexport controls for the Soviet Union and Libya," one Administration official said. Haig, who has advocated a more conciliatory approach toward the Europeans, had pressed for looser reexport regulations for Libya.

Administration officials are generally pleased with Arab reaction to the new sanctions against Libya. These officials, however, express disappointment and concern over the lack of backing from Egypt which has expressed concern that the Administration action could result in closer Libyan-Soviet relations. Egyptian officials maintain that if Qaddafi is "backed into a corner" by the US, he will allow Soviet bases on Libyan soil. "Sadat would never have reacted this way," one disappointed US official declared.